American Federation of Labor and Congress of Industrial Organizations



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March 27, 2012

Chairman Julius Genachowski Federal Communications Commission 445 12th St., S.W. Washington, D.C. 20554

Attorney General Eric H. Holder, Jr. U.S. Department of Justice 950 Pennsylvania Avenue, N.W. Washington, D.C. 20530

Dear Chairman Genachowski and Attorney General Holder:

The Federal Communications Commission ("FCC") and the U.S. Department of Justice ("DOJ") are currently reviewing a transaction between Verizon Wireless, a subsidiary of Verizon Communications, Inc., and four of the nation's largest cable companies (Comcast, Time Warner, Cox, and Bright House Networks). As part of this transaction, Verizon Wireless proposes to pay \$3.9 billion to purchase spectrum from the cable companies. In addition, Verizon Wireless and the cable companies have entered into commercial agreements to cross-market each others' products and operate a joint entity to develop new proprietary technology.

The AFL-CIO is deeply concerned about the impact of the Commercial Agreements on competition, consumer choice, network investment, jobs, and prices. Prior to the announcement of this transaction, Verizon and the cable companies competed vigorously against each other. This competition drove Verizon's investment in its all-fiber FiOS network, sustaining thousands of good middle-class jobs and providing working families with access to a truly worldclass broadband network that competed with cable's video and Internet access services.

Now it appears that these formerly bitter rivals have declared a truce, choosing to collaborate rather than compete. This Verizon/cable alliance will lead to significant job loss, less investment in broadband infrastructure, and lower broadband adoption. It will lead to higher prices and a reduction in service quality



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of broadband and video. For working families, this translates into more expensive bundles of cable channels and costly, slow broadband service.

Most troubling, the Verizon/cable partnership will reduce Verizon's incentives to market and expand its FiOS network. Verizon is the only major U.S. telecommunications company to draw fiber all the way to the home, offering broadband speeds that compete with those in Japan and South Korea. With FiOS, Verizon has mounted an effective challenge to the cable companies, driving more investment, job growth, and innovative services for consumers.

But as a result of its collaborative agreement with the cable companies, Verizon now has little incentive to continue the deployment and aggressive marketing of its FiOS network. As a top Comcast executive explained at a recent Senate hearing, Verizon Wireless will be like "neutral Switzerland," selling cable's video and Internet service. This will shift the economics of the Verizon FiOS network, with troubling implications for consumers and workers.

To date, Verizon has not yet deployed its FiOS network to roughly one-third of the households in its wireline footprint, including such cities as Buffalo, Albany, Syracuse, Boston, and Baltimore. The residents of these communities are disproportionately people of color, working families, and lower-income households. By diminishing Verizon's incentives to expand its FiOS deployment, the Verizon/cable transaction will further the digital divide.

In addition, it will result in the loss of thousands of good, middle-class union jobs and represent a significant setback for workers' rights in this country. The employees who build, maintain, sell, and service Verizon's FiOS network are represented by the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW), and through more than 70 years of collective bargaining, have negotiated good wages, benefits, and working conditions. The Verizon Wireless/cable alliance will not only eliminate jobs, it will also replace good middle-class jobs with those that are lower-paid, low-benefit, and frequently outsourced.

The Verizon/cable alliance will give these companies enormous advantage over other competitors through their ability to bundle their services, offering a unique quad play of voice, video, data, and wireless. Such unprecedented level of market power will hinder video and broadband competition, resulting in higher cable rates, less network investment, and fewer jobs.

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The AFL-CIO looks to FCC and the DOJ to conduct a thorough review of the impact of the Commercial Agreements on competition, consumer choice, investment, innovation, and jobs. Because the transaction raises serious competitive concerns and significantly reduces incentives to invest in alternative broadband platforms, if your agencies were to allow the transaction to proceed. the AFL-CIO believes there should be stringent and enforceable conditions that will ensure continued alternatives for broadband services and robust video competition. Such conditions include: 1) a prohibition against Verizon marketing cable video, broadband, and voice services inside Verizon's wireline footprint; 2) a requirement that Verizon to continue to expand its in-region deployment of its FiOS product to at least 95 percent of residential living units and households within the Verizon in-region territory; 3) a requirement that the parties to the transaction make the services they provide each other under the Joint Marketing Agreements available on a nonexclusive basis to all requesting providers on the same terms and conditions; and 4) a provision that would allow consumers to purchase specific services from the retail bundle at a price equal to the bundled retail prices less the wholesale price of the service.

Officerery,

Richard L. Trumka

President

RLT/WS/kf

cc: Commissioner Mignon Clyburn

Commissioner Robert M. McDowell